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undoubtedly resulted in a contraction, not of currency, but of credit opportunities in the South and West, which have seriously retarded and hampered the development of those regions. It is to meet needs so genuine and widespread that the Monetary Commission will recommend a plan for currency and banking reform.

Whatever the outlook for the adoption of any plan of currency reform by the present Congress may be, it will probably have nothing to do with the report of the Commission. The latter will merely aim to formulate a plan upon which all can unite, thus overcoming the weakness which results from a disunited application of forces which are essentially united upon questions of principle. In its methods, the Commission has proceeded, so far as known, with the utmost impartiality and scientific care. It has asked for and received an immense number of expressions of opinion, both general and in reply to specific questions, and it has carefully considered the mass of information thus accumulated. Every point has been discussed most anxiously. Whatever the precise recommendations may be, it cannot be doubted that they will represent the best current thought on the questions upon which they bear.

It remains in the hands of the public to determine what shall be the outcome of the labors of the Commission.

H. P. W.

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## GOLD, LABOR, AND COMMODITIES AS STANDARDS OF VALUE.

IN the campaign of a year ago two opposing views were urged regarding the fluctuations of our monetary standard. One party maintained that since the price of commodities has declined, gold must have appreciated in value, a certain quantity of it exchanging for a constantly increasing quantity of commodities; another class held that since wages have constantly advanced, gold has in fact depreciated, a given amount of it exchanging for a constantly lessening quantity of labor.

One is impressed with the fact that the premises in both cases are true, and if true why are not the deductions satisfactory? Commodities have fallen in value, and wages have advanced, but it is plain that gold cannot have appreciated and depreciated at the same time. Is there any way by which its appreciation relatively to commodities and its depreciation relatively to labor can be reconciled?

By the older economists two very different standards of deferred payments were advanced; the labor standard of Ricardo and Adam Smith, which required the debtor to return to his creditor the equivalent of his debt in labor; and the commodity standard of J. S. Mill, which required the debtor to return the equivalent of his debt in commodities. It is certain that the difference is a fundamental one. If we accept the labor standard, the advantage in deferred payments lies wholly with the creditor. Any improvements in production will make labor more effective, while the debtor must return the same number of days' labor as received. On the other hand, if we accept the commodity standard, the advantage lies with the debtor, any improvements in production making it possible for him to return an equivalent of the commodities borrowed with less effort on his part.

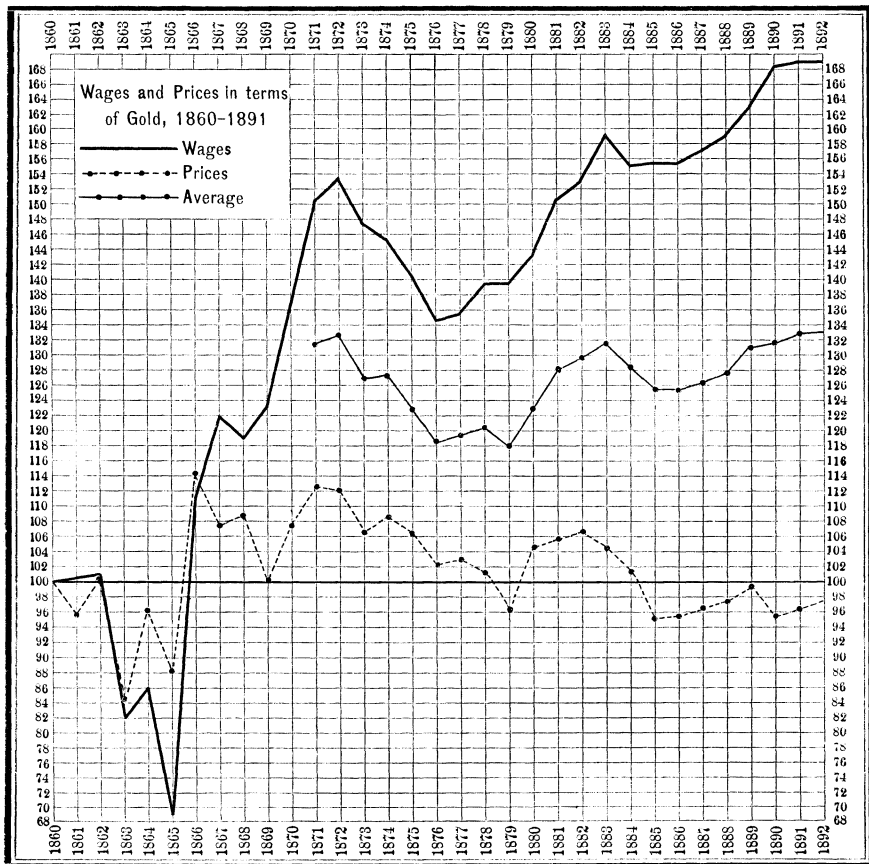
It would seem, then, that neither of these standards is just to both parties if taken by itself; and if we are to regard the rights of debtor and creditor alike, both standards must be considered, and it would appear reasonable to consider them of equal importance.

What effects may be expected to follow from the use of improved machinery and methods of production? First, there will naturally be a large output per unit of capital and labor expended, and hence a reduction in value per unit of product. Second, labor will become more effective, and hence, other things being equal, wages will rise. If the rise in wages corresponds to the fall in prices, the entire effect may be expected to have resulted from the improvements in production; but if the rate of fall in prices and rise in wages is very different, or if both rise, or both fall, it is safe to assume that there has been a fluctuation in the standard of value.

Bearing in mind these things, it would appear that we may have a logical basis for determining whether our monetary standard has actually appreciated—a basis from which some conclusion can be reached. If it shall appear upon investigation that the rate of rise in wages and fall in prices has closely corresponded, there certainly need be no alarm as to any great appreciation of our standard of value.

The Aldrich Report, presented to the United States Senate in 1892, furnishes us with the necessary data from which the movement of prices and wages from 1860 to 1891 can be ascertained and compared.

The accompanying chart is intended to serve the purpose of such comparison. It is compiled from the prices and wages given in the



above-mentioned report, reduced to a gold basis. The prices are wholesale, taken from 223 commodities, and the wages are gathered from 543 occupations, both prices and wages being averaged according to importance. The prices and wages of 1860 are taken as a basis of 100, the heavy line representing the movement of wages and the broken line the movement of prices. The light line of the chart is simply the mean between the other two.

It will be noticed that during the paper inflation of 1865 gold wages reached the lowest point, 31.3 per cent. below 1860. From this there was a rapid rise to 53.2 per cent. above the base line in 1872, followed by a fall to 34.2 per cent. in 1876, after which we have a steady rise to 68.6 per cent. above in 1891. Prices reached the lowest point in 1863, 15.9 per cent. below 1860; the highest point in 1866, 14.3 per cent. above 1860, from that on falling gradually to 3.8 per cent. below the base line in 1891. If we average prices and wages regardless of importance, we find that from 1860 to 1891 wages advanced 60.7 per cent. above, and prices fell 7.8 per cent. below the base line.

But now let us take 1870 as a base, since it is claimed that from that time the great fall in prices is to be observed. From 1870 to 1891 prices fell 10.5 per cent., and wages advanced 21.8 per cent. From 1880 to 1891 prices fell 7 per cent., while wages advanced 18 per cent.

To illustrate the average of wages and prices the light line is drawn in the chart from 1871 to 1891. This line reaches its lowest point in 1879, but from this time on gradually rises to 32.4 per cent. above the base line in 1891, making a gain of 9 to 10 per cent. over 1871.

From the figures given we can now draw certain conclusions. Giving equal importance to wages and prices, it appears that from 1860 to 1891 gold has actually depreciated, a given quantity of it exchanging for less in 1891 than in 1860. From 1872 to 1876 there was a slight appreciation, both wages and prices falling, this in turn being followed by another depreciation, making our standard of value from 1871 to 1891 practically uniform.

It seems certain that the universal fall in prices has been due to causes of a very wide-reaching character. The hypothesis that our monetary standard has greatly appreciated cannot be accepted for the reasons given, and we are driven to the only alternative—that improvements in production have brought about the changes in wages and

prices. Especially does this hypothesis commend itself when we consider that the relative divergence in wages and prices is found to be almost exactly such as might be expected to result from the operation of this cause.

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### AN EXERCISE IN EXPENDITURE.

THE following question was given to a class in economics: How would you spend ten thousand dollars? Tabulate the items. The object was to secure some definite idea as to the students' views of wealth consumption.

The class was composed of thirty-six persons eleven of whom were women. Their average age was about twenty-one years. The university of which this class is a part is located in a city of two hundred thousand inhabitants, and has twenty-six hundred students altogether. Of these probably one-third are from the city. Perhaps 60 per cent. are Americans, the remainder being largely of German and Scandinavian stock. Most of the students are in moderate circumstances. To all of the class ten thousand dollars was a considerable sum.

The items of expenditure were fourteen. The order in which they ran, on the basis of preference, was as follows: Education (24), real estate (17), travel (12), mortgages (10), bank stock, business, books, pleasure, each (7), charity (6), railroad bonds (5) mining stock, insurance, clothing, each (4), government bonds (3) and options (1). The item "charity" includes all gifts; "books" includes pictures and statuary. The aggregate expenditure distributed is \$360,000. The accompanying table (page 99) shows the proportion devoted to each item.

The result is interesting in several particulars. In ten cases nearly the entire amount was invested in land, railroad securities, or government bonds. On the other hand, the small amounts assigned to pleasure, books, and clothing are very noticeable. The reason for this rather unexpected self-denial is possibly to be found in the economy taught by saving parents. Their ingrained frugality did not permit such an expenditure even upon paper. The proportion assigned to books may also seem surprisingly small. Only 1.6 per cent. is set aside for this purpose by eight persons. This is partly to be explained by the presence of public libraries and reading rooms.

Education and travel are given some attention by twenty-four of the